

STATE OF MAINE
PUBLIC UTILITIES COMMISSION

Docket No. 2001-560

October 29, 2001

BANGOR GAS COMPANY, LLC
Proposed Cost of Gas Adjustment
(\$ 4703)

ORDER

WELCH, Chairman; NUGENT and DIAMOND, Commissioners

I. SUMMARY

We approve Bangor Gas Company LLC's (Bangor Gas or Company) Cost of Gas Adjustment for the winter 2001-2002 period as updated in its October 16, 2001 filing.

II. PROCEDURAL HISTORY

On August 15, 2001, Bangor Gas filed its proposed cost of gas adjustment (CGA) for the winter 2001-2002 period. The Commission issued a Notice of Proceeding to interveners in prior CGA cases and by publication in newspapers of general circulation in Bangor Gas's service area. The Office of the Public Advocate filed a timely petition to intervene, which was subsequently granted by the Hearing Examiner.

To investigate the proposed CGA changes, the Advisory Staff issued data requests to the Company on its filing. A preliminary hearing and technical conference was held on September 26, 2001 at which the Hearing Examiner addressed interventions and set a procedural schedule. In addition, the Company reported on the results of its winter gas supplier bidding process and the Advisory Staff and OPA explored the issues raised by this filing.¹ On October 16, 2001, the Company filed an updated filing that reflected the October 12, 2001 settlement prices for natural gas futures on the NYMEX market.

¹ On October 10, 2001, Bangor Gas filed for approval a proposed second amendment to its current gas supply contract with Sempra to allow Sempra to provide gas supply during the winter 2001-2002 period beginning November 1, 2001. The filing was assigned Docket 2001-707. Review of the proposed affiliate transaction and supplier selection analysis will be completed in that docket.

III. DESCRIPTION OF BANGOR GAS'S PROPOSED RATE

In this filing, Bangor Gas seeks to establish an estimated cost of gas rate to apply to any customers who take service in the upcoming winter period. Bangor Gas is a start-up gas distribution utility whose gas supply requirements may change daily as customers are added. Bangor Gas still does not plan to manage the gas procurement function in-house.

Bangor Gas plans to contract with a supplier to provide gas at market prices throughout the winter period as those needs arise, similar to the contract entered into during the last two cost of gas periods. Bangor Gas asserts that the current natural gas futures prices are the best indicators of market prices and, thus, its expected gas costs for the upcoming winter period.

In its testimony, Bangor Gas outlines its view of the components of a "normal" Cost of Gas Adjustment, such as storage, injection or withdrawal capacity charges, balancing fees or charges, and carrying costs on gas in storage, consistent with its filed tariff. However, the rate proposed by Bangor Gas here does not reflect these components because it does not directly incur such costs under its current practice of securing its total requirements from an outside supplier.

Bangor Gas's proposed 2001-2002 winter CGA rate, calculated using a methodology intended to produce a proxy for market price, would decrease the energy charge for all classes of customers from the current tariff rate of \$0.586 per therm to \$0.337 per therm. The new rate is based on projected costs of natural gas in the region using an average of futures prices, as reported in the Wall Street Journal on October 15, 2001 for the October 12, 2001 settlement prices, adjusted for additional costs to transport gas supplies to New England.

There is a prior cost of gas balance resulting from a winter 2000-2001 under-collection of \$3,401 to carry forward into the winter 2001-2002 rate. This results in additional charge of \$0.005 per therm to Bangor Gas's customers.

IV. ANALYSIS

Bangor Gas proposes that we set the CGA rate based on the weighted natural gas futures prices as settled on October 12, 2001 and reported in the Wall Street Journal on October 16, 2001 plus an amount representing the cost of transporting the supplies to BGC's system. Bangor Gas states that this price is a proxy for the forecast commodity price that would be delivered into Bangor Gas's system and is consistent with the terms proposed by its potential suppliers.

We have previously concluded that the use of an index price in the gas procurement contract and a fixed price in setting the CGA produces reasonable

results that send the proper price signals to the customers in Bangor Gas's territory.

Bangor Gas has sought index-price based bid proposals. Its market futures-based CGA calculation should therefore provide an appropriate proxy for any contract it executes in response to its current bid solicitation. Moreover, the Company's use of the most recent market prices in setting the CGA rate should be an appropriate price signal to customers given that the CGA rate is fixed for the season.

We also reviewed Bangor Gas's calculation of its Past Gas Cost Adjustment to ensure that it was calculated properly. The \$3,401 includes \$3,323 of under-collected gas costs and \$78 of accrued carrying charges on that under-collection. We conclude that Bangor Gas's calculation was reasonable and that the inclusion of these costs in its rates is appropriate.

V. CONCLUSION

Use of a marketer to secure the necessary gas supplies seems reasonable given the early stage of Bangor Gas Company's service and the inherent difficulty in forecasting customer consumption without the benefit of historical usage information. Bangor Gas's use of futures prices plus a transportation adder from an index that is consistent with the index on which its gas supply contract is based is reasonable and produces an estimate of energy costs for the upcoming winter period which is likely to be consistent with its actual gas costs. The inclusion of past under-collections in its current rates is reasonable and consistent both with Commission practices and Bangor Gas's rate plan.

Accordingly, we

ORDER

1. That Bangor Gas's proposed revised CGA rate of \$0.337 per therm shall take effect for gas consumed on or after November 1, 2001;
2. That Bangor Gas's proposed revised Past Gas Cost Adjustment rate of \$0.005 per therm shall take effect for gas consumed on or after November 1, 2001; and
3. That Bangor Gas's Fifth Revised Sheet Nos. 48 and 49 constituting its Cost of Gas Adjustment for the period November 1, 2001 through April 30, 2002, are approved.

Dated at Augusta, Maine, this 29th day of October, 2001.

BY ORDER OF THE COMMISSION

Dennis L. Keschl
Administrative Director

COMMISSIONERS VOTING FOR: Welch
 Nugent
 Diamond

NOTICE OF RIGHTS TO REVIEW OR APPEAL

5 M.R.S.A. § 9061 requires the Public Utilities Commission to give each party to an adjudicatory proceeding written notice of the party's rights to review or appeal of its decision made at the conclusion of the adjudicatory proceeding. The methods of review or appeal of PUC decisions at the conclusion of an adjudicatory proceeding are as follows:

1. Reconsideration of the Commission's Order may be requested under Section 1004 of the Commission's Rules of Practice and Procedure (65-407 C.M.R.110) within 20 days of the date of the Order by filing a petition with the Commission stating the grounds upon which reconsideration is sought.
2. Appeal of a final decision of the Commission may be taken to the Law Court by filing, within 30 days of the date of the Order, a Notice of Appeal with the Administrative Director of the Commission, pursuant to 35-A M.R.S.A. § 1320(1)-(4) and the Maine Rules of Appellate Procedure.
3. Additional court review of constitutional issues or issues involving the justness or reasonableness of rates may be had by the filing of an appeal with the Law Court, pursuant to 35-A M.R.S.A. § 1320(5).

Note: The attachment of this Notice to a document does not indicate the Commission's view that the particular document may be subject to review or appeal. Similarly, the failure of the Commission to attach a copy of this Notice to a document does not indicate the Commission's view that the document is not subject to review or appeal.